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Mr. W. Park Armstrong, Jr.  
Special Assistant for Intelligence  
Department of State  
Washington, D.C.

Dear Park:

I am transmitting herewith a copy of Mr. Bissell's report on the USIA's intelligence needs and assets prepared at the suggestion of the Director of that Agency. The report recommends that your Office increase its production of certain types of intelligence, mainly under the NIS program. In particular, it recommends that you undertake substantial additional production on international communism. These recommendations assume the assignment of basic responsibilities within the Intelligence Community presently set forth in NSCID-3.

I especially call your attention to this assumption because I believe we should soon reexamine certain aspects of that allocation of responsibilities. In particular, I believe we should consider whether the additional intelligence production on international communism that is urgently needed both by the USIA and by several members of the Intelligence Community can best be undertaken by this Agency rather than by your Office.

In his report Mr. Bissell properly did not go behind NSCID-3 as presently drafted, since it would not have been appropriate for him within his terms of reference to reexamine the present allocation of responsibilities. However,

State Department review completed

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while we proceed with the implementation of the Report, I am appointing a senior official of this Agency to discuss the matter of NSCID-3 with you. Naturally any changes in the Directive which might emerge from these discussions would eventually have to be reflected in the implementation of the Report.

Sincerely yours,

ALLEN W. DULLES  
Director

**Attachment**

O&1 - Addressee

- ✓ 2 - DCI
- 1 - DDCI
- 1 - DD/I
- 2 - O-SA/PC/DCI(Reber)
- 1 - SA/PC/DCI(Bissell)

CONCURRENCE:



RICHARD M. BISSELL, JR.  
Special Assistant to Director  
for Planning and Coordination

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MEMORANDUM FOR: Director of Central Intelligence

20 July 1954

SUBJECT : Issues Arising out of USIA Survey

1. I attach herewith three documents:

- A. A draft of a letter from you to Mr. Park Armstrong to advise the latter that you wish to consider whether additional intelligence production on "International Communism" can best be taken over by this Agency rather than by OIR.
- B. A Memorandum of Conversation with General Cabell on a draft of the USIA Survey.
- C. A Memorandum on the issues raised by the proposal to give up the financing by the Central Intelligence Agency of the various intelligence functions performed by OIR.

2. I recommend that you sign the letter, which is designed to make clear to Mr. Armstrong that, even if you approve the recommendation of my report which calls for additional intelligence production on "International Communism", it does not necessarily follow that this additional production should be performed in OIR and financed by CIA, which would be the natural procedure under NSCID-3 and following present financing arrangements.

3. The memorandum was drafted jointly by Mr. Reber and me. Although the recommendation as written is innocuous enough (since it merely recommends discussion with OIR), the current implication of this paper is that we cannot call into question (a) the location of work on "International Communism" and

25X1 [redacted] I concur in this implied conclusion and  
I concur in the view set forth in this memorandum that to raise the two specific issues without going into the broader question will only result in a rather messy and unsatisfactory deterioration of the OIR over a period of years.

[redacted]  
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RICHARD M. BISSELL, JR.  
Special Assistant to the Director  
for Planning and Coordination

3 Attachments

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*Page 1*

**Reallocation of the Responsibility for Political, Cultural  
and Social Intelligence**

**Problem:**

1. To reexamine whether a reallocation of the responsibility for political, cultural and social intelligence should be made, in the light of (a) the relative importance which the Department of State accords its own intelligence organization among departmental functions, [redacted]

[redacted] and (c) the Dulles Report of 1950.

**Discussion:**

[redacted]

3. The Director, in considering the recommendations of the USIA Survey Report with respect to the suggested expansion of NIS work, and in particular with regard to international communism, suggested that it would be better for CIA to provide the research on international communism. In discussing the question he referred to the recommendations of the Dulles Report with regard to State Department's responsibilities for intelligence.

4. The foregoing two points are, of course, directly related. Mr. Dulles' point, if carried to its conclusion, would require a reexamination of NSCID-3 and possibly a relocation of

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responsibilities therein. If this were done first, and if there were a reallocation to CIA for political intelligence production,

On the other hand, it is quite possible that transferring the responsibility to the State Department for budgeting not only for NIS

all of ER 5, could have the effect (in the event of failure of the Department to accomplish this) of leading to a de facto performance by other agencies of some of the responsibilities allocated to State under NSCID-3.

5. Some perspective on this problem can be obtained by reference to the Dulles Report. It reaffirmed the NSCID-3 assignment to State of "dominant interest" in the collection and production of political, cultural and social intelligence, and concluded that "the Department should equip itself more adequately to meet the legitimate requirements of CIA and of other government agencies for such intelligence." Nonetheless, in the body of the discussion of Chapter 12, doubts are raised about the validity of a separate State Department intelligence organization being required to satisfy such "assignment" of responsibility. Thus the Report calls attention to the facts that:

a. The Department is in itself an intelligence organization.

b. The State Department obtained an intelligence organization not on its own volition (as have the military agencies) but by Presidential directive transferring OSS to State.

c. Departmental desk officers have long considered themselves to be competent in intelligence, and,

d. Despite several years of experience with a separate intelligence organization (at the time of the writing of the Dulles Report) interviews with Departmental policy officers did not reflect a genuine conviction among desk officers that they need a Departmental intelligence organization separate from the political bureaus.

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6. In examining the difficulties of the State Department's intelligence organization, the Dulles Report canvassed three of the possible solutions, as follows:

"One possible solution might be to limit the Research and Intelligence staff to factual reporting and to place on the policy officers of the Department the responsibility for passing upon any political intelligence estimates used outside of the Department. Alternatively these estimates might be prepared by Research and Intelligence and then passed upon by the appropriate policy officers of the Department before they go to the Central Intelligence Agency or to other Government departments. A third solution might be to allocate the personnel of Research and Intelligence among the policy offices (geographical desks) of the Department or attach them to the Policy Planning Staff and then place on the policy officers or Planning Staff the responsibility for State Department estimates for the Central Intelligence Agency or for other outside Government agencies."

It recommended none of these, but rather that:

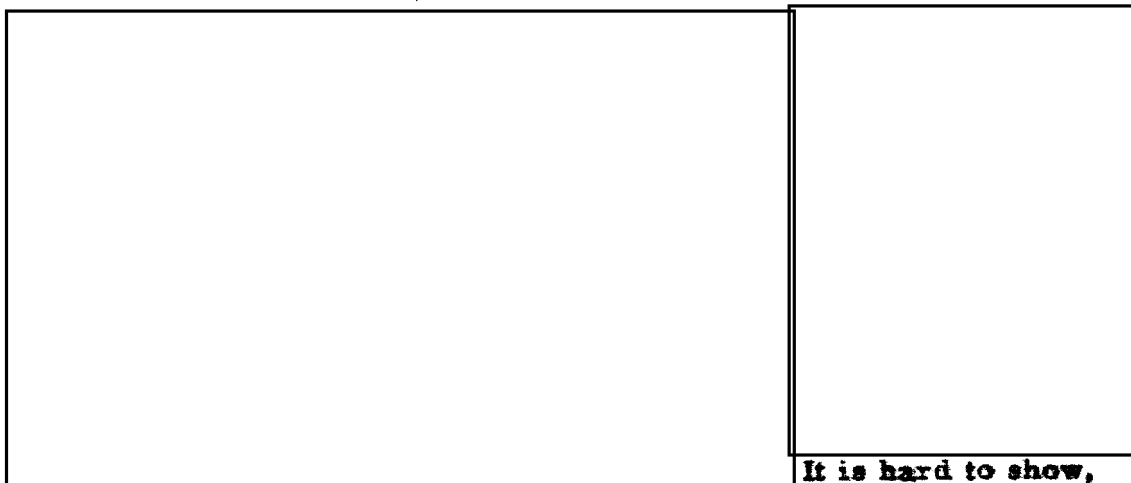
"(4) To meet the foregoing requirements, consideration should be given by the Department to designating a high officer of the Department, who has full access to operational and policy matters, to act as intelligence officer. This officer, with a small staff, should process requests for departmental intelligence received from the Central Intelligence Agency and other agencies and see that legitimate requests are met through the preparation of the requisite intelligence reports or estimates by the appropriate Departmental officers. He should also act as continuing Intelligence liaison officer with the Central Intelligence Agency and the Service Intelligence agencies."

This recommendation, so phrased, was accepted by the Department (in NSC 50) with the statement that it would proceed to implement the recommendations of the Dulles Report along with a general reorganization of the Department.

7. Our estimate of the Department's interest today in the maintenance and strengthening of its own intelligence organization to meet its own and other agencies' (including CIA's) intelligence needs is as follows:

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It is hard to show, and has not been shown adequately, that NIS, for example, is imperative to meet really essential needs of the Department.

8. If the foregoing projection of events

is generally accurate, one can readily anticipate the course of events in the intelligence community over the next several years. As the Department is unable to meet its obligations for intelligence production, those from outside the Department making requests will look elsewhere for their satisfaction. They will either establish their own production resources (perhaps by external research contracts) or, what is more likely, insist that the Central Intelligence Agency meet the need. Not the least of these requestors will be CIA/DDP. It is expected that gradually there will be established in OCI or ORR or DDP personnel resources to meet specific needs and these resources will be expended annually as the deterioration of the Department of State's assets proceeds.

9. At some point in this process, and it might well occur at the beginning, it is strongly anticipated that the Department will consider the abandonment of a separate intelligence organization and return to the "Russell" plan of the Secretary of State Byrnes era. This is essentially the third solution in paragraph 6 above involving in the main a merging of intelligence personnel with the bureaus. Two pressures will likely contribute to this possibility:

a. The apparent desire of this Administration to reduce as far as possible the overall size of the State Department and its budget.



b. The desire of the political desk officers to have more resources directly available to them.

It is too early to say for certain that the implementation of the Wriston Report will have effects adverse to the maintenance of a healthy separate intelligence organization, though some officers in the Department feel that it will.

10. The Department of State concurred in the recommendations of Chapter 12 of the Dulles Report, including most importantly the fourth recommendation referred to in this paper, paragraph six above. It would appear, however, that the Department's implementation of the fourth recommendation is at variance with that which was intended by the Dulles Committee. The emphasis in this recommendation is on a high level officer with a "small" staff serving in liaison capacity with the intelligence community. This officer would serve appropriate officers in the Department with the requirements for intelligence production received from the outside and assure that these requirements were met. This certainly does not imply a necessity for the establishment of a large, separate intelligence organization as, in fact, came to pass.

11. It may therefore be preferable to consider, as a solution to the current State Department problems in the financial field, the fourth recommendation of the Dulles Report. Under this arrangement, there would not need to be a separate state Department intelligence organization, although the Department would still maintain its contribution to national intelligence estimates, the drafting to be done by the political bureaus. It is seriously doubted that in the face of crisis demands (such as Korea, Indochina, or southeast Asia generally), the Department would accept the responsibility, or, if it would, could meet obligations for NID, let alone demands for special reports, which logically could be prepared most efficiently in the State Department, to meet external requests in such fields as are indicated in the USIA intelligence survey report.

12. Were the foregoing to come about, the following readjustments in the NSC/D No. 1 should take place: The Department's responsibility with regard to political, cultural and social intelligence production should be confined to estimates and estimates' contributions. The responsibility, currently assigned to the Department, for the production of NID Chapters, as well as those expansions recommended in the USIA Report, should be

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